

Commonwealth of Massachusetts  
Department of Telecommunications and Energy  
Fitchburg Gas and Electric Light Company  
Docket No. D.T.E. 02-24/25  
Record Request Response

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**Record Request No. DTE-RR-12 (Common)**

Supplement DTE 2-38 and provide another analysis to include a multi-year benefit, using the average period between rate cases.

**Response:**

Please refer to Attachment DTE-RR-12.

**Person Responsible:** Mark H. Collin

**Fitchburg Gas and Electric Light Company  
Other O&M Expenses - Lead Lag Study  
Cost / Benefit Analysis**

| Line No.                  | Cost  | Bids <sup>(1)</sup> |              | Source / Calculation  |
|---------------------------|---|---------------------|--------------|---|
|                           |   | Bid 1               | Bid 2        |   |
| 1                         | Cost for Lead Lag Study                         | \$193,000           | \$60,000     | Vendor Bid  |
| <b>Benefit</b>            |   |                     |              |   |
| 2                         | Annual Gas Other O&M subject to W/C             | \$5,652,899         | \$5,652,899  | Other O&M Expense per adjusted books - Gas                  |
| 3                         | Annual Electric O&M subject to W/C              | \$7,823,004         | \$7,823,004  | Other O&M Expense per adjusted books - Electric             |
| 4                         | Annual Other O&M subject to W/C                 | \$13,475,903        | \$13,475,903 | Line 2 + Line 3   |
| 5                         | Days in year                                    | 365                 | 365          | Assumption  |
| 6                         | Other O&M Expense per Day                       | \$36,920            | \$36,920     | Line 4 / Line 5   |
| 7                         | Rate of Return                                  | 9.09%               | 9.09%        | Cost of Capital   |
| 8                         | Income Tax Rate                                 | 38.29%              | 38.29%       | Income Tax Rate - Federal & State                           |
| 9                         | Benefit per Day of Reduction from 45 days       | \$5,438             | \$5,438      | Line 6 * Line 7 / (1-Line 8)                                |
| <b>Breakeven Analysis</b> |   |                     |              |   |
| 10                        | Days of Reduction Required for Breakeven (days) | 7.07                | 2.20         | Annual payment stream from NPV Calc <sup>(3)</sup> / Line 9 |
| 11                        | Breakeven Point - Other O&M Expense Lag (days)  | 37.93               | 42.80        | 45 - Line 10  |
| 12                        | Gas Division Revenue Lag (days)                 | 68.9                | 68.9         | FG&E Purchase Gas Lead Lag Study                            |
| 13                        | Electric Division Revenue Lag (days)            | 58.2                | 58.2         | FG&E Purchase Electricity Lead Lag Study                    |
| 14                        | FG&E Revenue Lag (G&E Wtd Average) (days)       | 62.7                | 62.7         | (Line 12 * Line 2 + Line 13 * Line 3) / Line 4              |
| 15                        | FG&E Other O&M Expense Lag for Breakeven (days) | 24.7                | 19.9         | Line 14 - Line 11   |
| 16                        | Average Expense Lag from Sample (days)          | 22.5                | 22.5         | Sample Average Expense Lag <sup>(2)</sup>                   |
| 17                        | Standard Deviation of Estimate (days)           | 9.62                | 9.62         | Standard Deviation of Sample <sup>(2)</sup>                 |
| 18                        | Sample Size                                     | 10                  | 10           | Sample Size <sup>(2)</sup>                                  |
| 19                        | <b>Probability of Benefits Exceeding Costs</b>  | <b>41%</b>          | <b>61%</b>   | 1-NORMDIST(Line 15, Line 16, Line 17, 1)                    |

(1) Bids include estimates for presenting direct and/or rebuttal testimony and for responding to data requests. These items were not included in the written bids submitted, but were obtained based on a follow-up discussion with bidders.

(2) Please see page 2 of 3 of this Attachment for the list of companies contained in the sample as well as the expense lags for those companies.

(3) Please see page 3 of 3 of this Attachment for the Net Present Value calculation which was used to arrive at the 'Days of Reduction Required for Breakeven (days)', assuming a period of 7 years between rate cases.

**Fitchburg Gas and Electric Light Company**  
**Other O&M Expenses - Lead Lag Study**  
**Cost / Benefit Analysis**  
**Sample of Utilities' Other O&M Lead/Lag Results**

| <b>Company</b>               | <b>Average<br/>Expense Lag</b> |
|------------------------------|--------------------------------|
| APS                          | 21.972                         |
| Central Power & Light        | 29.260                         |
| Lone Star Gas                | 20.477                         |
| Oklahoma Gas & Electric      | 12.751                         |
| Peoples Natural Gas Co.      | 15.613                         |
| Southern Union Gas Co.       | 30.773                         |
| Texas-New Mexico Power Co.   | 22.379                         |
| Texas Utilities Electric Co. | 41.410                         |
| UGI Utilities                | 7.8770                         |
| West Texas Utilities Co.     | 22.590                         |
| Average                      | 22.510                         |
| Standard Deviation (Sample)  | 9.617                          |
| Sample size                  | 10                             |

**Fitchburg Gas and Electric Light Company**  
**DTE 02-24/25**  
**Other O&M Lead/Lag**  
**Cost/Benefit Analysis**

| Annual Payment Stream |          |          |          |          |          |          | NPV at<br>9.09% |
|-----------------------|----------|----------|----------|----------|----------|----------|-----------------|
| Yr. 1                 | Yr. 2    | Yr. 3    | Yr. 4    | Yr. 5    | Yr. 6    | Yr. 7    |                 |
| \$38,463              | \$38,463 | \$38,463 | \$38,463 | \$38,463 | \$38,463 | \$38,463 | \$193,000       |
| \$11,958              | \$11,958 | \$11,958 | \$11,958 | \$11,958 | \$11,958 | \$11,958 | \$60,000        |

| Line No. |   | \$193K<br>Bid | \$60K<br>Bid |
|----------|---|---------------|--------------|
| 1        | Annual payment stream from above                                  | \$38,463      | \$11,958     |
| 2        | Benefit per Day of Reduction from 45 days - (Page 1 of 3, Line 9) | \$5,438       | \$5,438      |
| 3        | New Days of Reduction Required for Breakeven (days)               | 7.07          | 2.20         |